

## Message Text

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ACTION ARA-10

INFO OCT-01 EUR-12 NEA-10 ISO-00 CIAE-00 DODE-00 PM-04

H-01 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01

SP-02 SS-15 USIA-06 IO-13 AID-05 COME-00 EB-07

FRB-03 TRSE-00 XMB-02 OPIC-03 LAB-04 EPG-02

SIL-01 OMB-01 FEA-01 INT-05 MCT-01 AGR-05 CU-02

/133 W

-----071430Z 072874 /40

R 062217Z MAY 77

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 7558

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY BOGOTA

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LISBON

AMEMBASSY TEHRAN

AMEMBASSY TEL AVIV

AMEMBASSY VIENNA

USINT BAGHDAD

USCINCSO QUARRY HEIGHTS

USCINCLANT NORFOLK VA

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E.O. 11652: N/A

TAGS: OPEC, PFOR, SOCI, EINV, ELAB, PINT, EFIN, PINS, VE

SUBJECT: THIS WEEK IN VENEZUELA

REF: CARACAS 4305 (NOTAL)

SUMMARY. PRESIDENT PEREZ RETURNS HOME FROM MIDDLE EAST AND  
EUROPE. FOOD SITUATION ALMOST NORMAL. BETANCOURT REAFFIRMS  
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HIS SUPPORT FOR PINEURUA AS AD'S PRESIDENTIAL CANDIDATE. WHILE  
LOSING GROUND, U.S. STILL LEADS FOREIGN INVESTMENT IN VENEZUELA.  
DEMOCRATIC FORCES OF VENEZUELAN LABOR DOMINATE MAY DAY  
ACTIVITIES. TREASURY REPORTS SMALL DEFICIT FOR FIRST QUARTER  
OF 1977. COPEI SETS DATE FOR PARTY CONGRESS. CLASH BETWEEN  
POLICE AND UCV STUDENTS LEAVES 100 INJURED. END SUMMARY.

1. PRESIDENT PEREZ RETURNS HOME FROM MIDDLE EAST AND EUROPE. PRESIDENT PEREZ RETURNED TO CARACAS MAY 5 AFTER A TWO-WEEK TRIP TO SIX MIDDLE EASTERN OPEC COUNTRIES, ALGERIA, AUSTRIA AND THE CANARY ISLANDS. TO HIS OPEC BRETHREN, PEREZ EMPHASIZED OPEC UNITY AND THE NEED FOR OPEC MEMBERS TO USE THE ORGANIZATION TO ADVANCE THE CAUSE OF THE NEW INTERNATIONAL ECONOMIC ORDER. IN VIENNA, HE MET BOTH WITH OPEC SECRETARIAT OFFICIALS AND THE AUSTRIAN PRESIDENT AND CHANCELLOR AND ON HIS WAY HOME HE STOPPED IN THE CANARY ISLANDS TO MEET BRIEFLY WITH SPANISH PRIME MINISTER SAUREZ.

COMMENT: PEREZ' RATIONALE FOR THE TRIP WAS TO SHOW THE FLAG AND EMPHASIZE VENEZUELA'S SELF-PROCLAIMED OPEC AND THIRD WORLD LEADERSHIP ROLE WHICH HAS BECOME PEREZ' STANDARD FARE. PRIOR TO HIS DEPARTURE, PEREZ WAS CAREFUL TO PLAY DOWN THE POSSIBILITY THAT HE MIGHT BE ABLE TO INFLUENCE THE OPEC PRICE DOWNS TO CHANGE THEIR VIEWS, ALTHOUGH IN PRIVATE HE LOBBIED FOR A UNIFIED PRICE. HIS CAUTION ON THIS ISSUE WAS JUSTIFIED SINCE HE APPARENTLY HAD LITTLE INFLUENCE ON SAUDI ARABIA AND THE UAE. THE MOST CONTROVERSIAL ASPECT OF HIS TRIP TURNED OUT TO BE HIS SUPPORT FOR THE PALESTINIAN CAUSE AS EXPRESSED IN VARIOUS JOINT COMMUNIQUE SIGNED IN QATAR, KUWAIT, AND SAUDI ARABIA. THIS LANGUAGE CAUSED A STIR IN CARACAS AND PEREZ DENIED ANY CHANGE IN VENEZUELA'S EVEN-HANDED POSITION ON THE ISRAELI QUESTION. FURTHER, IN IRAQ, THE JOINT IRAQI-VENEZUELAN COMMUNIQUE DO NOT EVEN MENTION PALESTINE BUT MERELY REFERRED TO THE TWO GOVERNMENT'S PREVIOUSLY ANNOUNCED POSITIONS. WITH THE AUSTRIANS AND SUAREZ, PEREZ EMPHASIZED THE COMMON DEMOCRATIC HERITAGE WHICH VENEZUELA SHARES WITH THESE COUNTRIES AND MADE LIMITED OFFICIAL USE

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REFERENCE TO NORTH-SOUTH ISSUES. ALL IN ALL, THE TRIP GENERATED SOME EXPECTATIONS LOCALLY ABOUT VENEZUELA'S ROLE IN OPEC WHICH PROBABLY WERE NOT FULFILLED. AND, RATHER UNKINGLY, ONE MAJOR CARACAS DAILY OPINED THAT NOW THAT PEREZ' MIDDLE EAST TRIP IS COMPLETED, VENEZUELA CAN TURN TO AMKING PREPARATIONS FOR HIS WASHINGTON VISIT, WHICH IS THE ONE THAT REALLY COUNTS.

2. FOOD SUPPLY SITUATION ALMOST NORMAL. ACCORDING TO PRESS REPORTS AND EMBASSY SPOT CHECKS, MOST BASIC FOOD ITEMS (EXCEPT COFFEE) SEEM TO BE AVAILABLE IN CARACAS, PRESUMABLY BECAUSE OF THE RECENT GOVERNMENT DECISION TO PERMIT THE IMPORTATION OF SCARCE COMMODITIES DUTY-FREE. SENIOR GOVERNMENT OFFICIALS, INCLUDING THE ACTING PRESIDENT, MADE VISITS DURING THE WEEK TO MARKETS IN AND AROUND CARACAS TO SURVEY THE SITUATION. DEVELOPMENT MINISTER LUIS ALVAREZ DOMINGUEZ TOLD A CONGRESSIONAL COMMITTEE STUDYING THE FOOD SITUATION THAT THE GOVERNMENT IS REVIEWING ITS PRICING POLICIES WITH A VIEW TOWARD PERMITTING INCREASES WHERE NECESSARY.

3. BETANCOURT REAFFIRMS SUPPORT FOR PINERUA. EX-PRESIDENT BETANCOURT THIS WEEK REAFFIRMED ONCE AGAIN HIS STRONG PREFERENCE FOR AD SECRETARY GENERAL LUIS PINERUA ORDAZ AS THE AD CANDIDATE FOR PRESIDENT IN 1978. BETANCOURT STATED PRIVATELY THAT HE IS PREPARED TO DO WHATEVER IT TAKES TO SECURE HIS PARTY'S NOMINATION FOR PINERUA IN THE UPCOMING AD PRIMARY IN JULY. BETANCOURT'S STATEMENT FOLLOWS HIS RETURN FROM THREE-WEEK CONVALESCENCE IN NEW YORK DURING WHICH TIME PINERUA'S CAMPAIGN APPEARED TO STALL WHILE THAT OF HIS CHIEF RIVAL FOR THE NOMINATION, AD CONGRESSIONAL LEADER JAIME LUSINCHI, APPEARED TO GAIN GROUND. STARTING VIRTUALLY FROM NOWHERE SIX MONTHS AGO, LUSINCHI'S ACTIVE CAMPAIGNING IS BEGINNING TO PAY OFF AT THE GRASS-ROOTS LEVEL OF THE PARTY. TO BE SURE, IF THE AD PRIMARY WERE TO TAKE PLACE NOW, PINERUA WOULD WIN THE NOMINATION, CHIEFLY BECAUSE LIMITED OFFICIAL USE

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OF HIS GRIP ON THE AD PARTY MACHINE. LUSINCHI, ON THE OTHER HAND, HAS THE SUPPORT OF ONLY 4 AD SECRETARIES GENERAL AT THE STATE LEVEL OUT OF A TOTAL OF 24. CONFIDENT OF VICTORY, PINERUA AND HIS SUPPORTERS HAVE NEVERTHELESS BEEN OUT ON THE HUSTINGS FOR DAYS AT A TIME IN THE SEARCH FOR VOTES. THE INTENSE ACTIVITY WITHIN AD HAS RESULTED IN LARGE SCALE ABSENTEEISM IN THE CONGRESS, LEADING TO CHARGES BY THE OPPOSITION COPEI PARTY THAT AD HAS PARALYZED THE WORK OF CONGRESS. ALTHOUGH MOST OBSERVERS PREDICT A PINERUA VICTORY, SOME OPPOSITION

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FRB-03 TRSE-00 XMB-02 OPIC-03 LAB-04 EPG-02  
SIL-01 OMB-01 FEA-01 INT-05 MCT-01 AGR-05 CU-02  
/133 W

-----071431Z 073039 /40

R 062217Z MAY 77  
FM AMEMBASSY CARACAS  
TO SECSTATE WASHDC 7559  
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PARTY LEADERS ARE SAYING THAT IT ALL DEPENDS ON HOW  
LUSINCHI DOES THESE LAST TWO MONTHS OF THE CAMPAIGN.  
THE EMBASSY'S JUDGMENT REMAINS THAT PINEURUA WILL BE AD  
STANDARD BEARER IN 1978, EVEN IF PRESIDENT PEREZ SHOULD  
GO FURTHER THAN HE HAS BEEN WILLING TO GO SO FAR IN  
SUPPORTING HIS OWN CHOICE, LUSINCHI FOR THE NOMINATION.

4. FOREIGN INVESTMENT IN VENEZUELA-U.S. STILL LEADS,  
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BUT LOSING GROUND. ACCORDING TO THE SUPERINTENDENT OF  
FOREIGN INVESTMENT (SIEX), THE UNITED STATES HAS PROVIDED  
APPROXIMATELY 56 PERCENT OF ALL REGISTERED FOREIGN INVESTMENT TO  
DATE IN VENEZUELA, VALUED AT ABOUT \$750 MILLION. DURING THE  
1974-76 PERIOD, HOWEVER, U.S. FIRMS HAVE ACCOUNTED FOR  
ONLY 36 PERCENT OF APPROVED NEW FOREIGN INVESTMENT, OR ABOUT \$80  
MILLION. IN THE SAME PERIOD, NEW INVESTMENT FROM FRANCE,  
NOT A TRADITIONAL SOURCE OF FOREIGN INVESTMENT IN THIS  
COUNTRY, TOTALLED 33 PERCENT OF ALL NEW INVESTMENT. THIS MAKES  
FRANCE THE FASTEST GROWING SOURCE OF INVESTMENT FROM ABROAD.  
WEST GERMANY WAS THE THIRD LARGEST SOURCE DURING THIS PERIOD.

5. VENEZUELA'S LABOR FORCES OBSERVE MAY DAY. THE NOW  
TRADITIONAL "UNITY" LABOR DAY PARADE WOUND THROUGH THE STREETS  
OF CARACAS ON MAY 1. COMMUNIST WORKERS GROUPED IN THE  
SINGLE CONFEDERATION OF VENEZUELAN WORKERS (CUTV) WERE  
OUTNUMBERED MORE THAN TEN TO ONE BY TENS OF THOUSANDS OF  
DEMOCRATIC WORKERS AFFILIATED WITH THE DOMINANT CONFEDERATION  
OF VENEZUELAN WORKERS (CTV). FOR THE SECOND YEAR IN A ROW  
NO IDENTIFIABLE UNITS OF THE SOCIAL CHRISTIAN PARALLEL

CONFEDERATION (CODESA) PARTICIPATED IN THE PARADE. CODESA'S LACK OF MILITANTS WAS MADE SLIGHTLY LESS EMBARRASING THIS YEAR BY AN OFFICIAL BOYCOTT STATEMENT OF THAT CONFEDERATION CRITICIZING THE PARADE AS AN AD PARTY POLITICAL RALLY. THE MAIN THEME OF THIS YEAR'S PARADE WAS "DEMOCRACY WITH SOCIAL JUSTICE" WHICH INCLUDED DEMANDS FOR GREATER GOV EFFORTS TO CONTROL PRICES.

6. TREASURY REPORTS SMALL DEFICIT FOR FIRST QUARTER OF 1977. PRELIMINARY STATISTICS PROVIDED BY THE GOV INDICATE THAT GOVERNMENT REVENUE DURING THE FIRST QUARTER OF 1977 TOTALLED \$2,250 MILLION, \$465 MILLION MORE THAN FOR THE SAME PERIOD IN 1976, BUT \$90 MILLION LESS THAN HAD BEEN ANTICIPATED. OF THE 1977 TOTAL, \$2,125 MILLION WAS ORDINARY INCOME AND \$125 MILLION EXTRAORDINARY INCOME. GOVERNMENT EXPENDITURES FOR THE SAME PERIOD WERE ESTIMATED TO TOTAL LIMITED OFFICIAL USE

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\$2,345 MILLION, RESULTING IN A DEFICIT OF APPROXIMATELY \$95 MILLION.

7. COPEI SETS DATE FOR PARTY CONGRESS. THE OPPOSITION COPEI PARTY NATIONAL COMMITTEE ANNOUNCED THIS WEEK THAT THE PARTY CONGRESS TO CHOOSE COPEI'S 1978 PRESIDENTIAL CANDIDATE WILL BE HELD AUGUST 19 AND 20. SENATOR LUIS HERRERA CAMPINS, WHO IS OPPOSED BY FORMER COPEI SECRETARY GENERAL ARISTIDES BEAUJON, IS REGARDED AS THE CLEAR FRONT-RUNNER. ALTHOUGH THE RULING AD PARTY IS YET TO ANNOUNCE OFFICIALLY THE DATE OF ITS INTERNAL PRIMARY TO CHOOSE THE AD CANDIDATE, THE MOST LIKELY DATE IS THOUGHT TO BE JULY 3.

8. VIOLENT CLASH BETWEEN UNIVERSITY STUDENTS AND POLICE. A SIX-HOUR CLASH BETWEEN STUDENTS OF CARACAS' CENTRAL UNIVERSITY (UCV) AND THE POLICE MAY 5 LEFT NEARLY 100 INJURED. THE ALTERCATION ERUPTED WHEN UCV STUDENT LEADERS ATTEMPTED TO LEAD A MARCH TO PLAZA VENEZUELA PROTESTING THE GOVERNMENT'S FAILURE TO PROVIDE AN ADEQUATE BUDGET FOR UCV. (UNIVERSITY AUTHORITIES ANNOUNCED EARLIER IN THE WEEK THAT THE UNIVERSITY WOULD CLOSE JULY 1 DUE TO A SHORTAGE OF FUNDS.) THE POLICE EMPLOYED TEAR GAS, RUBBER BULLETS, HOTGUNS, AND CLUBS IN TURNING BACK THE STUDENT MARCH. IN THE ENSUING MELEE THE POLICE INVADDED THE UCV CAMPUS DISRUPTING CLASSES AND DINING HALLS. THE UCV'S ACTING RECTOR, WHO HAD GONE TO INVESTIGATE THE DISTURBANCE, AND A FACULTY DEAN WERE ROUGHED UP BY POLICE. AT DAY'S END BOTH THE ACTING RECTOR AND THE FEDERAL DISTRICT GOVERNOR CALLED ON THE FISCAL GENERAL TO INVESTIGATE THE CAUSE OF THE DISTURBANCE, THE FIRST TO TAKE PLACE INVOLVING UCV STUDENTS SINCE THE KISSINGER VISIT IN FEBRUARY 1976.

9. OTHER REPORTING THIS WEEK INCLUDED THE APPLICABILITY OF

SECURITY ASSISTANCE LEGISLATION TO VENEZUELA (CARACAS 4339),  
FOOD SHORTAGES IN VENEZUELA (A-56), THE FUEL CYCLE EVALUATION  
PROGRAM (CARACAS 4441), THE 62ND ECOSOC: U.S. CANDIDACY  
FOR REELECTION TO THE COMMISSION ON HUMAN RIGHTS (CARACAS 4440),  
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AND PREPARATIONS FOR THE CIEC MINISTERIAL MEETING (CARACAS 4402).  
VAKY

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## Message Attributes

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**TAGS:** PFOR, SOCI, EINV, ELAB, PINT, EFIN, PINS, VE, OPEC  
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**Type:** TE  
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**Review Markings:**  
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